

# Fairfax County Economic Index

Volume IV, Number 2

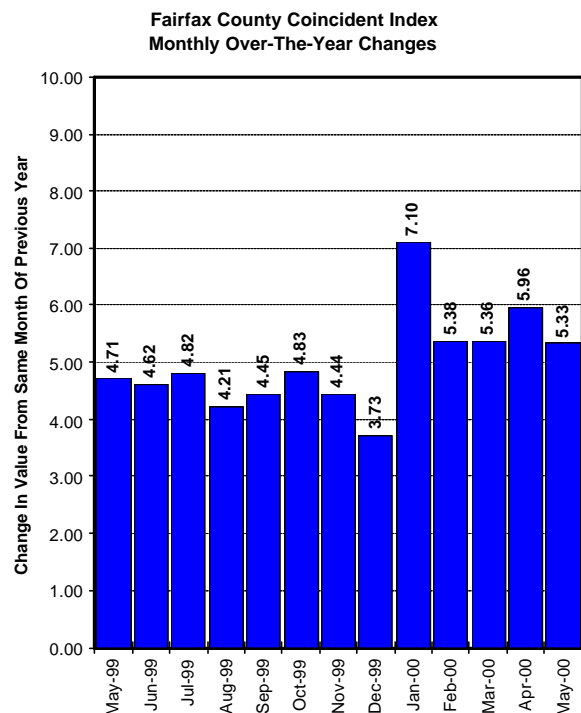
JULY 2000

## County Economy Softens in May, Indicators Point To Slower Future Growth

The **Fairfax County Coincident Index**, which represents the current state of the County's economy, declined to 126.0 in May, down 0.84 percent from its April level. This decrease follows gains in March and April. For the year's first five months the Index has been down twice and has achieved an overall increase of 3.5 percent. The Index's longer-term trend remains strongly positive with its 12-month gain totaling 4.4 percent. Even with its decline in May, the Index's current value is well above the historic growth path. In May, two of the Index's four components were negative.

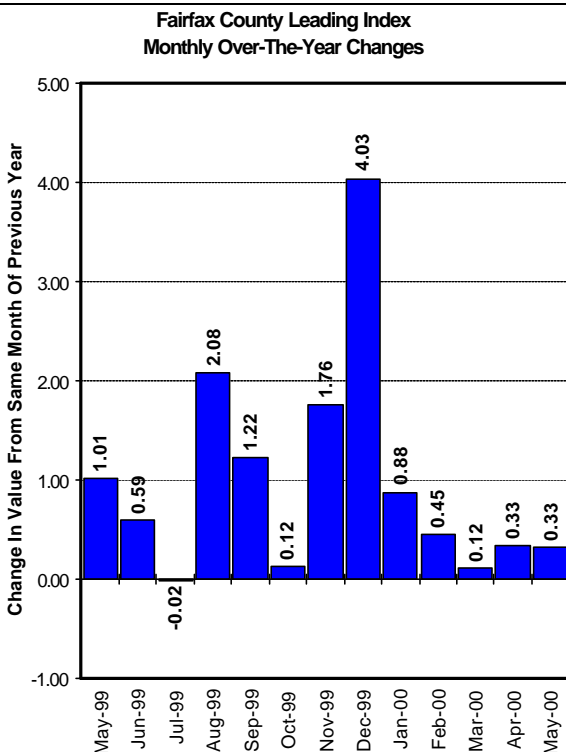
- Total employment decreased slightly in May after recording five monthly gains; and,
- Transient occupancy tax collections, adjusted for inflation and seasonal variation, declined sharply after registering a moderate increase in April; while
- Sales tax collections, adjusted for inflation and seasonal variation, were up marginally after declining in April; and,
- Consumer confidence was up off-setting its loss in April.

The **Fairfax County Leading Index**, which is designed to forecast the performance of



Source: Mason Enterprise Center, George Mason University

the County's economy nine to 12 months in advance, decreased to 106.2 in May, a decline of 0.47 percent. This was the Index's second decline in as many months and fourth loss over the year's first five months. This downward trend, dating from the beginning of the year, has brought the Index's current value down below the historic growth trend and its value in May was less than



Source: Mason Enterprise Center, George Mason University

the Index's average over the past 12 months. In May, the performance of three of the Index's five components contributed to its decline.

- Initial claims for unemployment insurance increased (worsened) in May registering their largest one-month increase since June 1999;
- Residential building permits declined for the second consecutive month and for the fourth time in the last five months; and,
- The total value of residential building permits decreased for the third month in a row; however,
- New automobile registrations increased slightly following their moderate decline in April; and,
- Consumer expectations increased for the second month in a row following its two monthly decreases in February and March.

Fairfax County's economic indicators were slightly weaker in May than in April, extending a slowing trend in the economy that began to emerge

at the beginning of the year. This slow softening of the County economy should not be misinterpreted, as its overall growth trend remains strong and its deceleration is only bringing the economy back to its historic growth trend. The County's economic outlook appears to be more of the same; that is, stable growth with some deceleration possible over the second half or beginning of next year.

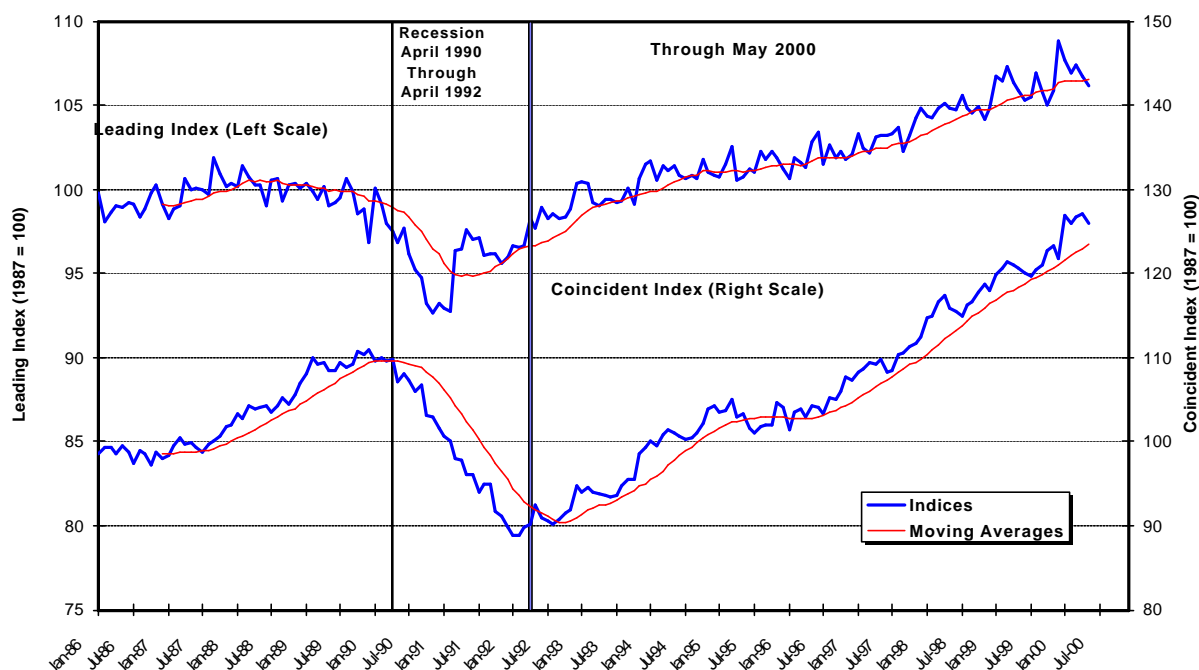
## CURRENT CONDITIONS

The Fairfax County economy continues to grow at a relatively steady rate. This growth path is evident in the Coincident Index's trend line that has moved steadily higher since mid-1996. On a monthly over-the-year basis, changes in the Coincident Index have been remarkably similar from one month to the next. Underpinning this stability has been the expansion of local economic capacity as evidenced by continuing job growth. Consumer spending provides the other major measure of the economy's strength.

The County's job base totaled 527,003 in May, an increase of 24,980 jobs from May 1999, for a gain of 4.4 percent. Over the same period, the Washington metropolitan area added 77,900 new jobs; Fairfax County's job growth accounted for 32 percent of the area's new jobs. Just as for the Washington area, Fairfax County's job growth has slowed slightly each month since the beginning of the year.

Still, May's job growth is considered strong and it continues to strain the County's labor market. Unemployment in May was 1.4 percent, down from 1.6 percent a year ago. And, while initial claims for unemployment insurance rose 26 percent in May on a seasonally adjusted basis, this increase only represented an absolute gain of 80 new applicants for unemployment insurance. With the labor market so tight for so long, care must be taken in evaluating changes, especially percent changes, as the base for calculating these changes has become relatively small and, as a result, can lead to false interpretations. Job growth in Fairfax County continues to point to a strong economy although the growth rate appears to be slowing slightly on a month-over-month basis.

## Business Cycle Indicators -- Fairfax County, Virginia



Source: Mason Enterprise Center, George Mason University

Consumer spending in the County, as measured by sales tax revenues, was up just 0.4 percent on a seasonally adjusted constant dollar basis from April to May and was 4.1 percent higher than in May 1999. Consumer confidence (in the present) and consumer expectations (confidence six months hence) have almost regained their record levels set at the end of 1999 and both are higher than in May 1999. With continuing income growth and strong consumer confidence, automobile sales also have grown. May's auto sales topped sales in May 1999 by 25.6 percent and while there has been monthly variation in sales this year, the overall trend is positive.

Housing sales are the only area of consumer spending that has definitely softened since the beginning of the year. With higher interest rates impacting the housing industry, residential building permits, both their number and value, have been declining. From April to May, permits were down approximately 18 percent and their value decreased 2 percent (seasonally adjusted). For the year, these two indicators were down 25 percent and 20 percent, respectively.

## NEAR-TERM OUTLOOK

It appears that the national economy is slowing in response to the Federal Reserve Board's 1.75 percent point increase in interest rates since last June. Additionally, the National Leading Index has begun to trend lower since February, pointing to slower future economic growth at the national level over the second half of the year. These signs suggest that the Federal Reserve Board will not raise interest rates again this year until at least after the Presidential election.

This slowing at the national level is being mirrored to some degree in the Washington metropolitan area and in Fairfax County. However, the economy of the region and County are cushioned from the full impact of slower national economic growth. And, because the Fairfax County economy has been substantially outperforming the regional and national economies, it should be able to absorb a slight slowing of activity without any lasting consequences. Still, with the County's Leading Index trending down since the beginning of the year, the performance of the County's economic indicators should be carefully watched in coming months.

## Fairfax County, Virginia Economic Indicators Current and Previous Months

Economic Indicator	Estimates			Percent Change	
	May-00 Prelim.	Apr-00 Final	May-99 Final	Apr-00 to May-00	May-99 to May-00
<b>Fairfax County Business Cycle Indicators</b>					
Coincident Index (1987 = 100)	125.99	127.05	120.66	-0.84	4.41
Leading Index (1987 = 100)	106.18	106.69	105.86	-0.47	0.31
<b>Fairfax County Coincident Index Components</b>					
Total Covered Employment (Seasonally Adjusted)	527,003	528,208	502,023	-0.23	4.98
<i>Total Covered Employment (Unadjusted)</i>	<i>527,646</i>	<i>524,283</i>	<i>502,636</i>	<i>0.64</i>	<i>4.98</i>
Transient Occupancy Tax (\$'000='87, Smoothed, Seasonally Adjusted)	373	422	334	-11.50	11.77
<i>Transient Occupancy Tax (\$'000=Current, Smoothed Only)</i>	<i>543</i>	<i>573</i>	<i>474</i>	<i>-5.23</i>	<i>14.67</i>
Sales Tax Receipts (\$'000='87, Seasonally Adjusted)	8,032	7,997	7,712	0.43	4.14
<i>Sales Tax Receipts (\$'000=Current, Unadjusted)</i>	<i>10,625</i>	<i>10,395</i>	<i>9,786</i>	<i>2.21</i>	<i>8.57</i>
South Atlantic Consumer Confidence	186	176	177	5.97	5.43
<b>Fairfax County Leading Index Components</b>					
New Automobile Registrations (Seasonally Adjusted)	7,304	7,132	5,818	2.41	25.55
<i>Automobile Registrations (Unadjusted)</i>	<i>8,063</i>	<i>7,012</i>	<i>6,422</i>	<i>14.99</i>	<i>25.55</i>
Initial Unemployment Claims (Seasonally Adjusted)	620	493	547	25.86	13.37
<i>Initial Unemployment Claims (Unadjusted)</i>	<i>568</i>	<i>488</i>	<i>501</i>	<i>16.39</i>	<i>13.37</i>
South Atlantic Consumer Expectations	124.6	117.5	115.0	6.04	8.35
Residential Building Permits (Number of Units, Seasonally Adjusted)	334	410	448	-18.62	-25.42
<i>Residential Building Permits (Number of Units, Unadjusted)</i>	<i>352</i>	<i>428</i>	<i>472</i>	<i>-17.76</i>	<i>-25.42</i>
Residential Building Permit Value (\$'000='87, Seasonally Adjusted)	29,604	30,244	36,968	-2.12	-19.92
<i>Residential Building Permit Value (\$=Current, Unadjusted)</i>	<i>47,142</i>	<i>49,793</i>	<i>57,379</i>	<i>-5.32</i>	<i>-17.84</i>
<b>Fairfax County Labor Force</b>					
Total Labor Force (Seasonally Adjusted)	554,551	557,257	546,396	-0.49	1.49
<i>Total Labor Force (Unadjusted)</i>	<i>556,758</i>	<i>556,365</i>	<i>548,571</i>	<i>0.07</i>	<i>1.49</i>
Unemployment Rate (Percent, Seasonally Adjusted)	1.39	1.50	1.61	--	--
<i>Unemployment Rate (Percent, Unadjusted)</i>	<i>1.41</i>	<i>1.28</i>	<i>1.62</i>	<i>--</i>	<i>--</i>

Notes: All components included in the indices are seasonally adjusted. In addition, those expressed in dollar value (Building Permit Value, Transient Occupancy Tax, and Sales Tax) are expressed in constant 1987 dollars. Initial Claims are inverted prior to inclusion in the Leading Index; that is, an increase in claims results in a decrease in the index and visa versa. Because of its quarterly collection schedule, the Transient Occupancy Tax is smoothed. Unadjusted data (*italics*) and Fairfax County Labor Force data are not included in either index, but are shown for informational purposes. All percent changes are calculated from unrounded data.

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We are on the web at:  
**[www.co.fairfax.va.us/comm/  
economic/economic.htm](http://www.co.fairfax.va.us/comm/economic/economic.htm)**

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